FOREIGN AGRICULTURE

February 14, 1972

U.S. Farm Exports Set 1971 Record

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE
VOL. X • No. 7 • February 14, 1972

In this issue:

This week's cover:

Bales of U.S. cotton at a west coast port await shipment to overseas markets. The U.S. cotton industry feels that personal contacts with cotton interests abroad help clarify policies and practices and broaden trade in U.S. cotton. A report on recent market promotion meetings between a U.S. cotton industry-Government team and cotton representatives of Poland, Yugoslavia, India, and Indonesia appears on page 6.

Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate, $10.00 domestic, $13.00 foreign; single copies 20 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

U.S. Farm Exports In Calendar 1971 Set Record -- First Half-Year Gains Offset Dock Strike Losses

By DEWAIN H. RAHE
Foreign Development and Trade Division
Economic Research Service

Record shipments prior to the dock strikes that began July 1 more than offset a decline that followed, as U.S. agricultural exports reached $7.7 billion in 1971, a new calendar year record.

Also contributing were December exports of $842 million, an alltime monthly high achieved after all ports were opened under Taft-Hartley injunction action.

The export record was 6 percent above the $7.3 billion calendar year record set in 1970. The new gain raised the agricultural trade balance to $1.9 billion from $1.5 billion the previous year, as the inflow of dollars from farm product sales further exceeded the outflow from farm product purchases.

Increases for cotton, soybeans, soybean meal, inedible tallow, dairy products, meats, and hides and skins contributed most to the new record. Partly offsetting these gains were reductions in feedgrains, wheat, dried beans, poultry products, and tobacco.

The 1971 increase came mainly from the higher prices received for farm exports, reflecting larger foreign demand and limited supplies of major commodities such as soybeans, soybean meal, cotton, and inedible tallow. The overall volume of exports showed relatively little change from 1970.

The first half of the year, when exports reached a January-

June record of $3.9 billion—15 percent above 1970's $3.4 billion—accounted for all of the gains. These were concentrated on wheat, soybeans, tobacco, vegetable oils, and protein meal; and they stemmed largely from reduced production overseas.

In the second half of the year, exports were 2 percent below the July-December 1970 record total (which was also $3.9 billion). This level was maintained despite the fact that agricultural exports through west coast ports alone were reduced by $95 million in July-December because of the dock strike.

However, a large part of this loss may be permanent. Japan, for example, purchased wheat from Canada and Australia to replace grain normally obtained from the U.S. Northwest. Major importers of U.S. fruits and vegetables purchased from other sources or temporarily reduced their consumption. In addition, the dock strike at east coast and gulf ports contributed to the July-December reduction in grains and tobacco.

A 1971 slowdown in business activity in the major markets also dampened demand for U.S. farm products, especially in the second half of the year. Estimates of Japan's industrial production indicate a gain of only 5 percent in 1971 compared with 16 percent in 1970. In Western Europe, 1971 production is expected to be up 2 percent, against 6 percent in 1970. At the same time, trade suffered from the uncertainties of the international monetary situation.

Oilseeds and products. Exports advanced 13 percent in value, mainly because of higher prices. Demand in the principal foreign markets continued to advance with the rise in livestock production. Consumption of vegetable oils has also risen rapidly both in the developed and in the developing countries. While foreign production of oilseeds and vegetable oils has gained, consumption has outstripped production; and U.S. products now supply most of these increased foreign needs.

Soybean exports dropped to 423 million bushels in 1971 from 439 million in 1970; but higher prices brought the value up 8 percent to $1,325 million. The average unit value of exports in 1971 was $3.13 a bushel compared with $2.79 in 1970. Top markets were the European Community, Japan, Spain, Israel, Taiwan, Denmark, and Canada.

Smaller U.S. soybean supplies available for export, because of reduced carryover and increased domestic consumption, were the principal reason for 1971's higher prices and smaller export volume. Soybean demand continues strong despite increased world production of copra, palm products, peanuts, rapeseed, and sunflowerseed.

Combined soybean oil and cottonseed oil exports had another banner year, with a 253-million-pound rise to a record of over 2 billion pounds. The combination accounted for almost one-fourth of 1971 world trade in fats and oils.

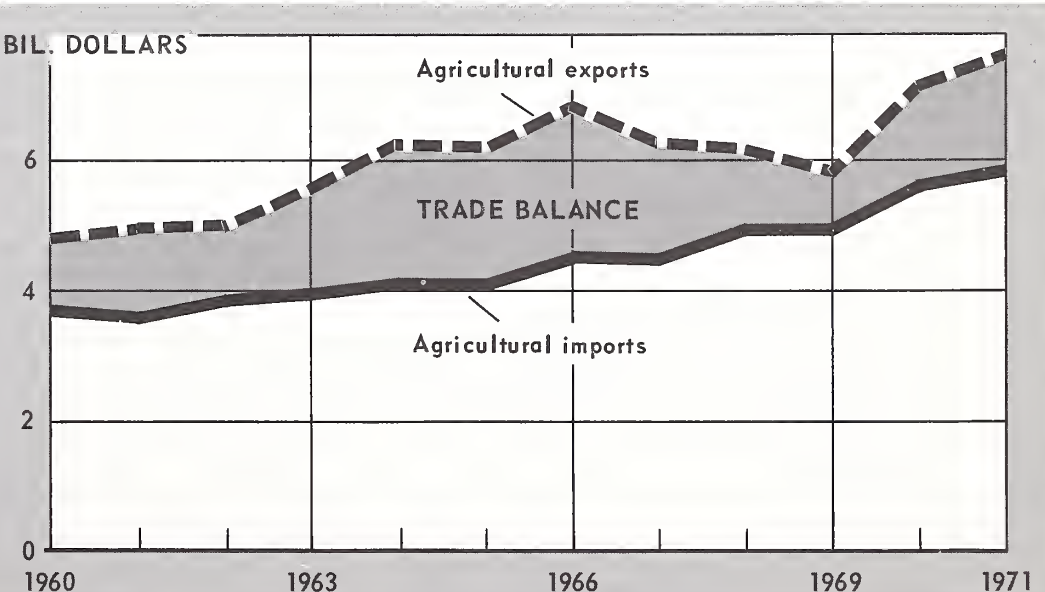
About two-fifths of the soybean oil moved under specified Government programs in 1971 compared with 36 percent in 1970; all but 10 million pounds of the cottonseed oil moved in commercial channels. Shortages of peanut and sunflower oils (due to reduced crops the year before) and increased foreign consumption contributed to the record movement. Principal markets were India, Pakistan, Yugoslavia, Iran, and Morocco.

Protein meal exports, despite higher prices, rose 7 percent in volume, to 4.5 million short tons. Western Europe was the main market, accounting for about two-thirds of the total. Foreign demand for protein has risen sharply in recent years because of expanding livestock production in many countries (especially in Western Europe), an increased emphasis on production efficiency that has required high-protein rations, and the EC's high grain prices, which encourage the feeding of economically priced substitutes. In 1971, exports of U.S. protein meal (including equivalents of oilseeds) were about 55 percent of the world total.

Grains and preparations. Total grain exports were down 6 percent in value, at $2,446 million, and 11 percent in volume, at 36.4 million tons. Exports of all principal grains fell—wheat by 2 percent, rice by 19 percent, and feedgrains by 9 percent.

Exports of wheat and wheat products dropped to 654 million bushels from 712 million in 1970. For the year as a whole, wheat grain exports fell 7 percent to 597 million bushels. Although they rose 12 percent in the first half of the

AGRICULTURAL TRADE BALANCE EXPANDS IN 1971



year because of reduced production in the EC, Canada, Australia, and Argentina the season before, they were dampened in the latter part of the year by the dock strike and by world wheat production gains.

Both commercial and Government program shipments were lower in 1971, with Government programs accounting for two-thirds of the total. Smaller shipments went under Government programs to India, Pakistan, and Chile. Commercial markets that declined included Japan, the EC, Taiwan, Hong Kong, and Switzerland. Exports under the barter program, however, rose slightly from the 81 million of 1970; and so did exports under the CCC credit program, which provided financing for 72 million bushels—one-third more than in 1970.

Japan remained the top commercial market, though its purchases fell to 91 million bushels compared with 101 million in 1970. The longshoremen's strike on the west coast largely accounted for this decline. Unable to buy wheat from the U.S. Pacific Northwest, Japan bought more wheat from Canada and Australia.

Rice exports declined to 1.5 million metric tons (32.3 million 100-pound bags, milled basis) from 1.8 million tons in 1970, owing to increases both in world production and in competition. As with wheat, the decline occurred in both commercial and Government program shipments. Exports to the EC, a principal commercial market, fell 14 percent to $18 million because of increased competition from several Latin American countries. Exports to Canada were about the same as the $10 million shipped in 1970.

Less rice was shipped under Government programs to South Vietnam, Indonesia, and Liberia, but more went to South Korea, India, and Pakistan. Meanwhile, Japan was exporting about 900,000 metric tons, primarily to developing countries under concessional arrangements.

Feedgrain exports fell 14 percent to 16.8 million tons, from 19.5 million in 1970. Value, however, dropped only 9 percent because of higher prices. While coarse grain production was up in a number of the supplying countries, the increase was not enough to offset reductions elsewhere and still meet the larger demand for feedgrains in the major importing countries. Tight U.S. feedgrain supplies due to 1970's unfavorable weather and southern corn blight limited U.S. exports until the 1971 crop became available. But foreign markets could not take full advantage of that record 1971 crop because of longshoremen's strikes at east and west coast ports and at most of the gulf ports.

Feedgrain production also reached records in Argentina, South Africa, and Australia. But in Brazil, production fell to 13.5 million tons from 14.2 million in 1970. And in the EC, where production of feedgrains had slumped to 36.9 million tons in 1970, there was a sharp rise in purchases from third countries during 1971. At the same time, EC exports to third countries declined.

Japan purchased only 4 million tons of U.S. feedgrains in 1971, compared with 6.7 million in 1970. Japan bought more of its feedgrains last year from South Africa, Australia, Thailand, and Argentina.

Cotton. U.S. exports showed a sharp upturn in 1971, totaling 4 million running bales; and higher prices pushed value to $584 million—57 percent more than in 1970. Because of smaller cotton production in Brazil, Mexico, and other developing countries, foreign buyers turned to the United States for cotton. But limited U.S. supplies of the qualities demanded by foreign mills prevented the United States from taking full advantage of the drop in foreign supplies, although there were increases in exports to Japan, the EC, Canada, the United Kingdom, Spain, South Korea, Hong Kong, and Taiwan.

Tobacco. U.S. exports of unmanufactured tobacco, including cut tobacco, totaled 504 million pounds—down 6 percent from 1970. The loss was in unmanufactured leaf, as smoking tobacco in bulk increased to 31 million pounds for a gain of about 7 million.

Exports to Japan were off sharply, but backlog shipments to this market are expected to improve over the next few months. Exports to the United Kingdom fell also, by 5 million pounds, as that country increased its purchases of tobacco from nontraditional sources.

Exports of leaf tobacco to the EC were up about 19 percent over the previous year's, but they remained less than the quantity shipped in 1969. Heavier purchases went particularly to West Germany and Italy and are believed to include earlier than normal seasonal shipments for these markets. Exports to Norway, Denmark, and Ireland, like those to the United Kingdom—countries which have agreed to enter the EC—were down from a year ago.

Animals and animal products. Exports showed continued strength, with a 12-percent value gain. Except for poultry products and lard, all major categories advanced from the 1970 levels. But export gains of one-fourth for dairy products and one-fifth for lard and tallow were most significant.

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U.S. AGRICULTURAL EXPORTS: VALUE BY COMMODITY
CALENDAR YEARS 1970 AND 1971

Commodity	1970	1971	Change
	Million dollars	*Million dollars*	*Percent*
Animals and animal products:			
Dairy products	127	174	+37
Fats, oils, and greases	247	269	+ 9
Hides and skins	187	199	+ 6
Meats and meat products	132	152	+15
Poultry products	75	73	− 3
Other	88	71	+ 7
Total	850	955	+12
Grains and preparations:			
Feed grains, excluding products	1,064	971	− 9
Rice	314	256	−18
Wheat and flour	1,111	1,088	− 2
Other	107	131	+23
Total	2,596	2,446	− 6
Oilseeds and products:			
Cottonseed and soybean oils	244	311	+27
Soybeans	1,228	1,325	+ 8
Protein meal	358	420	+17
Other	91	118	+27
Total	1,921	2,174	+13
Other products and preparations:			
Cotton, excluding linters	372	584	+57
Tobacco, unmanufactured	517	497	− 4
Fruits and preparations	334	351	+ 5
Nuts and preparations	69	79	+14
Vegetables and preparations	206	211	+ 3
Other	394	398	+ 1
Total	1,892	2,120	+12
Total exports	7,259	7,695	+ 6

Common Agricultural Policy Under Pressure Part II: Consequences of World Monetary Problems

By JOHN F. HUDSON
Trade Policy Division
Foreign Agricultural Service

Three major forces are working for change in the Common Agricultural Policy (CAP) of the European Community. Two of these—the decline in farm income in spite of rising support prices, and the adjustments in production and practical policy applications that must occur to accommodate a Community expanding from six members to 10—were dealt with in Part I of this article. (See Foreign Agriculture, Jan. 17.) The third is the effect of currency devaluations and revaluations.

The present international monetary crisis has been building up for some years. It first struck the European Community's CAP in the fall of 1969, when within a few weeks the French franc was devalued and the German mark was revalued. Because support prices are fixed first in common units of account, then converted at official exchange rates to each Member State currency, devaluation of the franc meant a 12.5-percent increase in the support prices of France, while revaluation of the mark meant an 8.5-percent decrease in the support prices of Germany.

France, however, took the next 2 years to complete its price increase and in the interim imposed special export taxes and import subsidies to equalize the differences between prices in and out of France. France also skimmed off some of the increase by imposing a tax of 2 percent on farmers' grain sales, on top of the other taxes that were being paid by French producers.

In Germany the necessary price reductions were fairly prompt and were accompanied by temporary compensation in the form of direct income payments and tax exemptions.

But pressure on the mark continued. In May 1971 a fixed exchange rate could no longer be maintained and the mark was allowed to float upward. The Dutch guilder followed suit and was joined in August by the Belgian and Luxembourg francs.

Support prices could not float, however, and continued to be calculated from units of account at their former par values. Hence, in Germany support prices in August were 6 percent too high and could be undercut by imports from other EC countries and third countries paid for at current exchange rates. Benelux support prices were 3 percent too high. French and Italian support prices were at the "common" level, but only because France kept the franc exchange rate fixed for commercial transactions and Italy held the lira float within 2 percent.

For many products the price differences were offset, this time by supplementary taxes on imports and subsidies on exports subject to change each week in line with further changes in the floating exchange rates.

The EC Commission has reported in detail how these arrangements disrupt common pricing and the free movement of agricultural products between Member States. Moreover, farm organizations complain that the compensatory taxes and subsidies are not applied uniformly to all products, so that farm support continues to be undermined to a greater or lesser extent.

The EC Commission plans to try to unify support price levels again, once fixed currency parities are reestablished. French President Pompidou further reasserted on December 22 that common pricing, common financing, and a preferred market within the Community for EC goods are the bases of the CAP and indispensable to French participation in further progress toward European unity.

The German Minister of Agriculture, on the other hand, has favored keeping separate price levels, compensatory taxes, and subsidies indefinitely—that is, "until monetary union is achieved." German farmers are concerned that any other "solution" will include a reduction in German support prices toward French and Italian levels. By mid-December, partly as a reflection of the floating of the dollar, the spread between the mark and the franc had reached 10.7 percent—which, if matters had ended there, would have been an extremely difficult gap to bridge in view of the adjustments that had already been made after the 1969 crisis.

Then on December 18, the United States, EC countries, and others in the "Group of Ten" agreed in Washington on a package of currency realinements including an 8.57-percent devaluation of the dollar and a 5-percent revaluation of the mark. This action effectively reduced the gap between the mark and the franc to 5 percent.

In the Commission's view, the gap might now be bridged partly by raising French and Italian prices toward up to, say, the Benelux level through a revaluation of the unit of account. Germany might then be able to reduce prices 2 percent to the Benelux level and compensate German farmers with further tax exemptions or other measures. If at the same time the EC should grant a general price increase of 5 to 8 percent, German farmers would come out 3 to 6 percent ahead on prices too.

Of course, France and Italy would then have to absorb price increases of 3 or 4 percent plus the general price increase of 5 to 8 percent. These might

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Centralized Cotton Buying In Four Countries Studied by U.S. Cotton Representatives

By JOSEPH H. STEVENSON
Cotton Division
Foreign Agricultural Service

Trade expansion through personal contact was the aim of the Cotton Council International (CCI) and the Foreign Agricultural Service in recent jointly sponsored meetings with cotton representatives of Poland, Yugoslavia, India, and Indonesia. The U.S. industry-Government team[1] studied policies and procedures of the centralized buying operations of the four and conferred with them on U.S. cotton policies and practices. Meetings were held with cotton importers, users, and state trading representatives.

Discussions, targeted at developing smoother and broader trade in U.S. cotton, covered such items as letters of credit, banking, shipping, import quotas, allocations, trade restrictions, P.L. 480 sales, and CCC and other credit.

[1] The team included W. D. Lawson, III, president, W. D. Lawson and Co., Gastonia, N.C.; G. L. Seitz, president, CALCOT, Bakersfield, Calif.; Earle N. Billings, exec. vice president and secretary, American Cotton Shippers Assoc., Memphis, Tenn.; Joseph H. Stevenson, FAS, USDA, and Geron E. Rathell, Export Marketing Service, USDA, Washington, D.C.

Although the Governments control buying decisions in all four countries, the technical expertise of trade and industry is used in varying degrees and a chain of authority participates in buying imported cotton.

Bilateral agreements get first consideration in import purchasing because they facilitate two-way trade and conserve scarce foreign exchange, except in Indonesia where the principal buying is done under P.L. 480. Credit and other means of financing come next, and last are straight purchases for hard currency, but these get close scrutiny.

Poland. Poland traditionally has been a market for about 80,000 bales of U.S. cotton annually, but bought none in 1970-71 because of substantially increased imports drawn from the Soviet Union's record crop. Imports from the USSR through May 1971 — about 500,000 bales—were almost equal to total Polish imports from all sources during 1969-70. Purchases from Egypt, Iran, Pakistan, Sudan, and Turkey also were up from 1969-70.

Poland's total import needs for 1971-72 are estimated at 780,000 bales, of which about 55,000 are expected to come from the United States.

Poland's Ministry of Foreign Trade decides how much cotton to import each year after the Ministry of Light Industry makes its recommendations as to the quantity and quality needed by the mills. Actual purchases are made by TEXTILIMPEX, a Government-controlled buying organization.

During meetings with the U.S. team, Polish representatives stressed price competition and consistency of quality as important decision-making factors in ordering. They showed a desire to buy U.S. cotton and to expand their total exports to the United States. The team felt that Polish cotton-buying authorities understood the CCC credit program and are interested in using it to make purchases in 1972. Poland has an excellent repayment record on borrowed money.

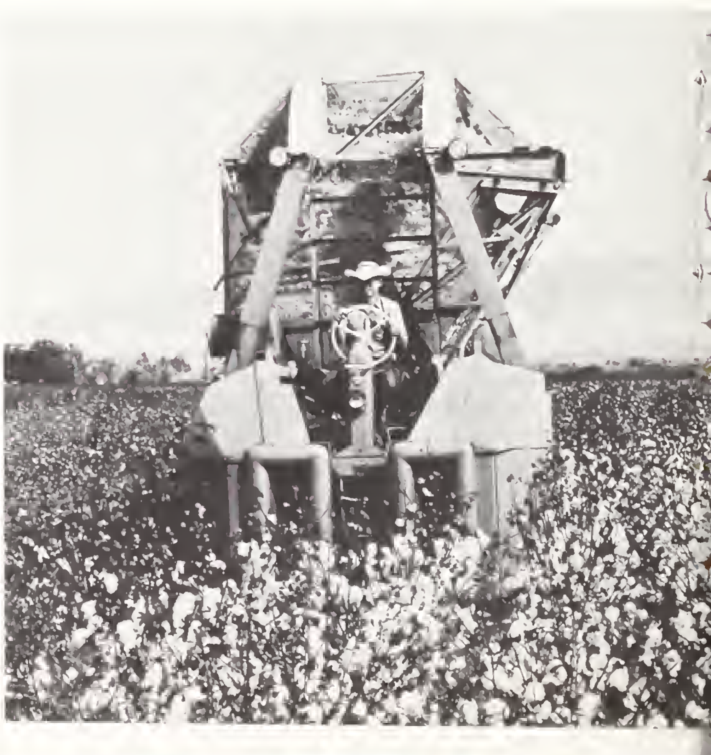
Technical trading discussions revealed that although the United States will find it difficult to compete against cotton offered under bilateral agreements, U.S. cotton still should be able to claim a larger share of this market.

The things Poland wants most from the U.S. cotton trade are even-running lots, attractive credit terms, reliable trade relations, and sufficient supplies of various qualities at competitive prices.

Yugoslavia. The United States shipped no cotton to Yugoslavia during the 1969-70 and 1970-71 seasons—a sharp reversal from its position as largest supplier from 1960 to 1967. In those years, the United States supplied about 40 percent of Yugoslavia's total imports either under P.L. 480 or through CCC credit.

Because of serious balance of payments problems and a need to conserve foreign exchange, Yugoslavia now has turned to the USSR for the bulk of its cotton imports. Russian cotton can be obtained through trade agreements, and other growths through barter, and by balancing imports against exports. Since

Right, picking U.S. cotton with a double-row cotton picker. Far right, baling cotton at gin in India, where some cotton is grown and some imported.



Yugoslavia's balance of trade deficit with the United States is sizable, arrangements with Russia, Greece, and other nearby sources of supply are more attractive.

Yugoslavia's cotton purchases are made by four importing firms—Contro-textil, in Belgrade; Textil Export-Import, Zagreb; Makotex Export-Import, Skopje, and Yugotextil-Impex, Ljubljana. Before these organizations can buy any cotton, they must get the "go ahead" from the Federal Directorate for Raw Material Reserves, which coordinates import planning for the Federal Executive Council, the Federal Secretariats of Foreign Trade and Finance, the Federal Economic Chamber, the National Bank, and the textile mills.

The U.S. team cleared up a misconception of the Yugoslavs that U.S. cotton was not competitively priced. Members also explained the CCC credit program and the Foreign Credit Insurance Association program.

It appears that U.S. cotton will face an uphill struggle in Yugoslavia. With purchases carefully allocated by the Government, it seems certain that bilateral agreement imports will come first. Of the quantities bought outside of bilateral agreements, quality and delivered price in Yugoslavia will be important factors.

CCC credit could be a useful marketing tool for U.S. exporters, and barter also should be examined as a possible means of effecting larger sales of U.S. cotton. Frequent contacts by U.S. trade representatives to supply price and market situation information to the Government and the importing firms should facilitate additional sales.

India. India is a large importer as well as a large producer of cotton. It has relied heavily on P.L. 480 imports from the United States in recent years and has requested 600,000 bales of P.L. 480 cotton for 1971-72. However, the quantities available under P.L. 480 to India and other countries are expected to be substantially less this season than previously.

In September 1970, the Government of India launched a program of cotton nationalization. The Cotton Corporation of India, a Government buying organization, was formed. It purchased about 35 percent of total imports. The private import trade handled the rest. In the 1971-72 year, the Corporation will import all cotton from Egypt and Sudan and about 60 percent of that from other sources. In the future, the percentage of imports handled by the Cotton Corporation is expected to increase further.

The U.S. team held detailed discussions with Indian authorities on many aspects of cotton trade including import licenses, quota allocations, letters of credit, certifications of origin, freight forwarding, bale weights and markings, grades, special problems during the U.S. shipping strike, and other items, particularly ones involving extensive paperwork.

The team felt that these discussions will result in smoother cotton trade and a better understanding of problems by both buyers and sellers, especially since the Cotton Corporation of India is relatively new in its cotton import buying operations.

With regard to letters of credit, for example, the team explained to Indian representatives the desirability of: Using the standardized letter of credit available under P.L. 480; using more than one U.S. bank to avoid congestion and expedite sales; receiving the letter of credit much sooner; eliminating expensive delays caused by the Indian requirement that cable advice on port of shipment be sent before the letter of credit is operable.

The team pointed out that although India has a shortage of foreign exchange, it purchases cotton each year for free foreign exchange, but usually not from the United States. Team members urged Indian authorities to consider buying U.S. cotton for foreign exchange in view of the large quantities provided to India for many years on a concessional basis.

The team also held discussions with members of the East India Cotton Association, a private cotton trade organization. The Association's members referred to the knowledgeable and valuable import services they had provided for many years. They noted that the Indian cotton trade has agreed to cooperate with the Indian Government and has offered to furnish the expertise it has obtained, but they were hopeful the trade still would have a part in cotton importing in the future.

India probably will continue to be a significant importer of cotton, especially to meet its need for qualities not available in sufficient volume from domestic production.

Continued close liaison with the Cotton Corporation, other Indian Government organizations concerned with cotton, and the Indian cotton trade is recommended to promote future U.S. sales to this market. While most imports from the United States have been under P.L. 480, some purchases are made with foreign exchange and more of these could come from the United States.

Indonesia. Indonesia has been a traditional market for U.S. cotton, with P.L. 480 shipments accounting for nearly all of Indonesian cotton imports in recent years. Imports during 1970-71 were estimated at 180,000 bales.

In addition to cotton, Indonesia must import about half its total textile needs. The Government's policy is to reduce textile imports in favor of cotton and meet increased demands for textiles through expanded domestic production. However, this would necessitate substantially larger cotton imports, which may be quite difficult in view of shorter supplies of cotton available from the United States under P.L. 480, combined with Indonesia's poor foreign exchange and credit position for importing on other terms.

Moreover, since the textile industry is one of the country's largest industries and one of its biggest employers, it probably will continue to have high priority in the 5-year program.

Indonesian representatives, who met with the U.S. team, however, believe they must depend on imported cotton

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Highlights of 1971-1972— A "Fulcrum" Year In U.K.-U.S. Farm Trade Relationships

By DAVID L. HUME
Former U.S. Agricultural Attaché London

For the United Kingdom, 1971-72 is a fulcrum year. Fundamental changes of major proportions are underway in U.K. trade and in the policies pertaining thereto—domestic, import and export—for the decision has been taken that Britain will indeed join the European Community. The Treaty of Accession was signed on January 22.

Since that date, Parliament has commenced the job of preparing the legislation needed to assure that entry will take place. Among other things, such enabling legislation will need to provide for—

- The authority to ratify the Treaty of Accession—that is, to give existing and future U.K. law the force of EC law.
- General powers for U.K. Ministers to issue orders pursuant to Community law. EC directives put broad obligations on member governments but leave each government to spell out in its own laws methods for meeting these obligations. For example, how will support buying operate? How will the United Kingdom operate its system for paying restitutions on exports? How will it put into effect the 5,000 or so EC regulations on the Common Agricultural Policy?

There will be much sound and fury in the Parliament and the press while the enabling legislation is materializing. I join those who predict it will pass. Britain will enter "transition" on January 1, 1973, and become a full member on January 1, 1978.

Henceforth, over the next 6 years, the agricultural trade and import policy of the world's largest importer of agricultural products will be undergoing basic transformations. Britain will change from a major importing country with relatively low levels of protection against agricultural products to an importing country with very high levels of protection and decreasing reliance on imports from suppliers outside the Community.

One example of the coming changes in protection is corn. Britain's Minimum Import Price (MIP) of $55.08 per metric ton for corn in January 1971 was 77 percent below the EC threshold price of $97.55. This is therefore the indicated level of increase in protection. Most other commodity prices will rise in relation.

These changes, for which 1971-72 is laying the decisive groundwork, are of major concern to U.S. agricultural exporters. So are certain other developments of the year:

- The butter shortage. Since January 1971 the United Kingdom has been receiving weekly, on an average, about 7,300 long tons of butter against a normal prior need of 9,000. Prices have about doubled at retail and are up 80 to 85 percent at wholesale. The U.S. Commodity Credit Corporation has contracted for the sale of over 135 million pounds of U.S. butter into export since May 21, 1971—over half of which was expected to go to the United Kingdom.

Mr. Hume is now U.S. Agricultural Attaché in Tokyo.

Teleprinter Stars at Hotelympia

The U.S. exhibit at London's Hotelympia Exposition for institutional users of food attracted some 7,500 food trade representatives during its 8-day run last month. As a bonus for the 74 U.S. firms participating, visitors came not only from Britain but from every other West European country, from Poland and Czechoslovakia, from Iceland, and from Saudi Arabia, Bahrain, Singapore, Australia, and Hong Kong.

The U.S. firms, displaying a record 473 products, were represented by 35 British food importers. Featured was Telemart, a direct teleprinter circuit between the U.S. stand in London and exporters in the United States, via USDA in Washington. Potential buyers were invited to make direct trade inquiries for response within 48 hours. One buyer had his $3,000 order delivered to London 22 hours after his inquiry.

American representatives sent by exhibiting firms could also give on-the-spot answers to technical questions, which sometimes led to on-the-spot orders. While most firms participated in Hotelympia to make institutional contacts rather than sales on site, several did make sales, and poultry exhibitors alone took orders worth over $270,000.

Most popular of the U.S. booths—and most frequently asked about —were those showing Baconex (precooked frozen bacon strips cooked in 7 seconds by microwave), the cooking and carving of beef and turkeys, fresh produce à la Hawaii, prefluffed rice, and dehydrated potato pearls reconstituted for french fries, home fries, and salad.

The situation will ease slightly before next summer's Northern Hemisphere flush of milk production, since the current Southern Hemisphere summer production cannot take up the slack.

• The President's August 15 speech (following which the U.S. import surcharge was imposed; gold was taken off the dollar market; and other measures were instituted). The British took the speech and the followup actions with characteristic imperturbability. We would judge that they generally understood and sympathized with—even admired—what was done.

Since then, the pound sterling has moved up in value somewhat more than the British wanted, but nonetheless British goods will henceforth be more competitive with German and Japanese goods in the United States and the other British foreign markets concerned.

• The new U.S.-U.K. grains agreement, which became effective on July 1, 1971. The United States will not exercise its rights under the General Agreement on Tariffs and Trade while the grains agreement remains in effect. The grains agreement (1) exempts from MIP's corn for starch and alcohol—30 to 50 percent of our trade; (2) eliminates a 10-percent duty on sorghum; (3) exempts durum wheat from MIP's for 1 year; and (4) insures the right to consult.

• Bilateral discussions on MIP's for U.S. uncooked poultry products—"negotiations," in essence. The arrangement we reached permits U.S. **uncooked** poultry products to enter Britain for the first time in recent history. Some measure of the new access has been provided: already two loads of U.S. heavy uncooked ready-to-cook frozen tom turkeys have been delivered to the catering trade in the United Kingdom.

Also of interest to U.S. farmers are these developments in the promotion of U.S. foods:

Risk sharing. Last year USDA took the risk of guaranteeing ocean freight on a container load of watermelons from Norfolk, Va., to London's port of Tilbury. The risk paid off: all went well and all the melons were sold in 3 days. This year, similar arrangements are being planned for sweet corn shipped out of Florida.

Identity preservation. Special selection of U.S. hard wheats—"tailor made" for blending—to be commingled with local British wheats (price being a major consideration) has increased total U.S. wheat sales to the United Kingdom. Special selection of U.S. corn for alcohol manufacture in Scotland has similarly assisted in increasing U.S. corn exports.

Spotlight on quality and availability. Two major British food chains have imported Texas grapefruit, one taking two loads of ruby reds and pinks and the other, five loads. This is a specially promoted activity with USDA personnel heavily involved.

Hotelympia USA. The largest catering exhibition in Europe opened in London January 8. Interest in U.S. foods is high, and it is anticipated that substantial cash sales will result.

Cotton Marketing (Continued from page 7)

for a long time and hope the United States will be a major supplier. Import needs are expected to rise in 1972 and future years as spindles are increased, population expands, and per capita cotton consumption rises from the present low levels.

The team suggested commercial imports to augment P.L. 480 sales and the CCC credit program was discussed.

Indonesia buys cotton through the Indonesian Purchasing Mission in New York. However, final buying decisions are made by the Director General of Textile Industries in Djakarta, with advice from the New York group.

The team concluded overall that closer liaison is needed between U.S. trade and industry and the Governments of the four countries to increase their understanding of the qualities and volume available from all sources in the United States.

The U.S. trade can profit by sending teams overseas and by inviting foreign representatives to tour the U.S. cotton belt. Spinners, who are the primary users, should benefit from seeing U.S. cotton from farm to shipment, including breeding, growing, harvesting, ginning, baling, storing, marking, and shipping.

In 1972, CCI in cooperation with FAS will sponsor a U.S. cotton orientation program for a group of cotton representatives, including some from Poland and Yugoslavia. They will tour U.S. cotton country. A group from the Far East took a similar cotton-country tour last November.

Although U.S. cotton still will find it difficult to compete against bilateral arrangements such as those between Eastern Europe and the USSR, expanded sales should be facilitated through frequent contacts by U.S. cotton interests with trade and Government authorities in these countries.

Foreign sources also emphasize the importance of attractive credit terms, close attention to quality, and availability of sufficient supplies of various qualities at competitive prices.

CAP Under Pressure

(Continued from page 5)

be unacceptably strong incentives to production, surpluses, and inflation, even if phased over 2 or 3 years. To impose further taxes on French grain production is an alternative that would not be popular with farmers.

A further complication, however, is the agreement by the Group of Ten that exchange rates against the dollar could be allowed to vary up or down as much as 2.25 percent. If rates for two EC currencies vary in opposite directions the total spread between the two could be 4.5 percent, nearly as much as the present spread between the deutsche mark and the franc. If compensatory taxes on intra-EC trade are to be avoided in the future, the EC must agree on a narrowing of the fluctuation of exchange rates between EC currencies. Some Member States believe this question must be settled before the EC can decide on the level at which prices are to be unified or on general price support increases for 1972-73.

CROPS AND MARKETS

DAIRY AND POULTRY

Norway, Now a Butter Importer, Will Become an Exporter in 1972

According to an official of the Norwegian Dairies Sales Organization, Norway will not need to import butter in 1972. On the contrary, a surplus of between 2,000 and 3,000 metric tons of butter is expected this year, owing mainly to an anticipated decline in domestic consumption. With the removal of certain internal subsidies, domestic butter prices have increased 50 percent, and retail sales probably will drop significantly.

Norwegian officials foresee no difficulty in marketing the anticipated surplus. The United Kingdom's suspension of butter import quotas has been extended through March 31 of this year, during which time imports enter under open individual licenses. Also, for the 1972-73 marketing year, beginning April 1, Norway has a quota of 1,000 tons of butter to the U.K. market.

Norwegian butter imports started about 3 years ago when domestic consumption increased rapidly following intensified sales promotion and a substantial reduction in prices on the local market. In 1970, butter imports reached 4,565 tons. This was partly offset by exports of 1,427 tons which were made to preserve Norway's quota on the British market. Norway's butter imports in 1970 came mostly from EC sources, but about one-third came from Finland.

Reportedly, Norway also will need to increase cheese exports in 1972 to channel more of its rising cheese production to other markets. The 1972 cheese output is currently expected to be 3,000 to 4,000 tons above that of 1971. The outlook for increased exports, reportedly, is not particularly bright, but much will depend on the successful completion of negotiations for export to Japan this year. In 1970, Norwegian cheese exports totaled 17,737 tons valued at NKr75.6 million (about $11 million), of which 7,350 tons went to Japan. Most of the balance went to the United Kingdom, although shipments to the United States totaled 1,320 tons.

Spain Sets Maximum Margins For Poultry and Egg Retailers

The National Supply Commission of Spain established maximum profit margins for retailers of fresh or refrigerated eggs and fresh, chilled, and frozen chicken meat, effective November 4, 1971. Maximum margins at the retail level cannot exceed 12 percent of wholesale purchase prices.

For eggs, an additional 2-percent margin over wholesale prices is permitted, to cover breakage, shrinkage, and packaging. The resultant price for eggs may be increased up to a maximum of 0.5 peseta (0.8 cent) per dozen eggs to cover transportation charges to the retailer's place of business. For chicken meat, a 2-percent additional margin also is allowed to cover shrinkage, depreciation on grading, and transportation costs. Retail margins are not controlled on chicken parts.

Prices arrived at by the application of the 14-percent profit margin may be rounded off, up or down, to the nearest whole peseta figure. In those localities where there is no central wholesale market for eggs, the reference prices shall be the retail prices charged by the distribution centers of ANSA (National Poultry and Egg Producers Association), production cooperatives, or wholesalers engaging in this trade. Where similar circumstances exist for chicken meat, an allowance will be made for price alterations representing plus or minus 5 percent of comparable prices quoted at the Madrid central wholesale market.

SUGAR AND TROPICAL PRODUCTS

Philippine Copra and Coconut Oil Exports Up

Philippine exports of copra and coconut oil in calendar 1971 increased to 861,000 metric tons oil basis—an increase of 255,000 metric tons or 42 percent from the depressed 1970 volume. The 1971 increase reflected above-average rainfall together with some additional production from new trees planted since 1960.

In 1972, Philippine exports are again expected to increase substantially, perhaps approaching 950,000 tons oil basis, or 10 percent above the 1971 volume and 4 percent above the record 1966 volume. The projected increase reflects continued above-average rainfall in the absence of any major typhoons, as well as further additional output from new trees.

Because the Philippine Republic is the world's major exporter of copra and coconut oil and supplies virtually all of the U.S. market, abundant supplies of coconut oil at reasonable prices seem assured in 1972.

Poland's 1971 Sugar Production Continues at Last Year's Level

Recent reports from Poland indicate that 12 million metric tons of sugar beets were processed during the 1971 campaign, compared to 12.4 million tons in the previous season. Although the amount of beets processed was lower, the outturn of refined sugar was about the same as it was in 1970, or 1.5 million tons.

A reduction in refined sugar output was prevented by a 1-percent higher sugar content in the sugar beets harvested this year. The sugar beet producing areas in Poland experienced mild weather in the fall which extended the growing season to a certain extent.

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Feb 9	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14 ..	1.98	0	[1] 2.04
USSR SKS-14	1.87	0	2.03
Australian FAQ	([2])	([2])	1.88
U.S. No. 2 Dark Northern Spring:			
14 percent	1.93	+1	2.09
15 percent	1.97	0	2.13
U.S. No. 2 Hard Winter:			
13.5 percent	1.80	0	1.99
No. 3 Hard Amber Durum..	1.82	0	2.01
Argentine	([2])	([2])	([2])
U.S. No. 2 Soft Red Winter..	([2])	([2])	1.89
Feedgrains:			
U.S. No. 3 Yellow corn	1.43	−1	1.80
Argentine Plate corn	1.60	0	1.84
U.S. No. 2 sorghum	1.50	+1	1.64
Argentine-Granifero sorghum	1.53	+1	1.61
U.S. No. 3 Feed barley	1.25	0	1.54
Soybeans:			
U.S. No. 2 Yellow	3.44	0	3.38
EC import levies:			
Wheat [3]	[4] 1.65	+2	1.42
Corn [5]	[4] 1.09	0	.69
Sorghum [5]	[4] 1.07	−1	.79

[1] Manitoba No. 2. [2] Not quoted. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. Note: Basis—30- to 60-day delivery.

Argentine Corn Crop Estimate Is Reduced

Argentina's current corn crop is expected to be only 7.0 million tons, considerably below earlier estimates and 30 percent below last year's harvest of 9.9 million tons. Hot weather and lack of moisture are blamed for the poor crop; the full extent of the damage will not be known until the crop is harvested in March and April.

Argentine corn exports—which have accounted for about 13 percent of the world's corn exports in recent years—will undoubtedly be reduced during 1972. This reduction should permit larger U.S. exports, especially during the last quarter of the current U.S. marketing year and the first half of the following marketing year.

Canada Announces Change In Two-Price System for Wheat

Canadian wheat producers will be guaranteed a higher minimum price next season for wheat marketed for domestic human consumption—Can$3.00 per bushel compared with the old price of $1.95½ per bushel.

The difference between the old and new guaranteed prices will be paid by the Canadian Government. Previously, the 2-price system did not involve direct Government payments; domestic millers were simply required to pay at least $1.95½ even though prevailing prices on the world market might be significantly lower.

LIVESTOCK AND MEAT PRODUCTS

Oceania Now Has Only One Beef Price Quotation for North American Markets

A recent Canadian trade report indicates that after 2½ years Oceanian exporters have finally established one price list on beef for North American buyers. Previously, two price lists were available—one for the United States and one for Canada—with lower prices quoted to the Canadians.

This system fostered transshipments of Oceanian beef via Canada to the United States market. Since these shipments circumvented the intent of the U.S. voluntary restraint program, Section 204 action was invoked against transshipments.

However, the system still permitted the releasing of Canadian boneless beef for export to the United States through substitution of the lower priced Oceanian product on Canada's domestic market. The recent price narrowing between U.S. and Canadian imported meats reported by the Canadian trade should slow Canadian sales of beef to the United States subject to the Meat Import Law.

CY 1971 Imports of Meats Subject to Meat Import Law

U.S. imports of meats subject to the Meat Import Law totaled 1,132.6 million pounds in calendar 1971. Rejections are estimated at 16.6 million pounds, leaving a net of about 1,116 million pounds which actually entered for consumption. On a net basis, imports were about 45 million pounds below the 1971 restraint level of 1,160 million pounds.

Crops and Markets Index

Correction: February 7, page 14, the table on world wheat production, first column unit should read: 1,000 metric tons.

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1971 Agricultural Exports (Continued from page 4)

Exports of dairy products totaled $174 million, compared with $127 million in 1970. Butter exports to the United Kingdom accounted for most of the increase. These exports took place because of reduced EC export supplies and because of New Zealand's sharp production decline throughout 2 years of drought. The butter shipments to the United Kingdom brought commercial exports up to about one-fourth of total dairy exports compared with only a fraction in 1970. Exports of nonfat dry milk—mostly under Government programs—fell by nearly 58 million pounds from the 416-million-pound level of 1970. Exports of other dairy products showed relatively little change.

Exports of animal fats and oils advanced to a record $269 million, reflecting tight world fats and oils supplies. A gain of one-fifth in inedible tallow exports was shared by top markets that included India, the EC, Spain, Korea, Colombia, and Brazil. Exports to Japan, the top market, declined slightly below those of the previous year.

Many Latin American and African countries are substantial markets for U.S. tallow, which is used primarily for soap manufacturing. Increasing quantities are used, however, in the production of mixed feeds and fatty acids. Lard exports to the United Kingdom fell by about 30 million pounds because of increased production in Europe and high prices in the United States.

Total poultry exports declined slightly, to $73 million from $75 million in 1970. Turkey shipments to the EC declined because of higher variable levies; but exports of fresh or frozen whole chickens rose to 14.3 million pounds compared with 11.5 million in 1970. Switzerland is the top market for whole birds, but large quantities are exported also to the Caribbean and other tourist areas. Exports of chicken parts totaled 78.2 million pounds in 1971, a gain of 14 percent. Hong Kong, Japan, and Jamaica and other Caribbean areas were the major outlets. U.S. prices for these products are extremely attractive to many foreign buyers.

Hide and skin exports (including fur skins) advanced 6 percent to $199 million. The gain was in sheep skins, calf skins, and cattle hides. Somewhat lower U.S. prices stimulated exports during the first half of the year.

The United States exported $16 million worth of slaughter cattle to Canada in 1971 because of the reduced numbers of Canadian animals available for market as Canada continued its rebuilding of herds.

Fruits and vegetables. Exports moved up to $562 million, from $540 million in 1970. Increased shipments of fresh fruit and concentrated frozen orange juice pushed total fruits and preparations up 2 percent. Orange juice exports in the early part of the year were stimulated by an advance in U.S. production, by strong market development efforts, and by the high quality of the U.S. product. Exports of canned and dried fruits, however, were pulled down by lower U.S. production and the resultant higher prices and by larger foreign production. Shipments of vegetables and preparations rose slightly to $211 million, with gains in fresh vegetables and hops; exports of canned vegetables and dried beans and peas declined.

U.S. exports of nuts and preparations established a record of $79 million. Larger U.S. production and lower harvest costs because of mechanization have increased the competitiveness of U.S. almonds; meanwhile, European production has undergone several short years. U.S. walnut exports also gained in 1971.

☆ U. S. GOVERNMENT PRINTING OFFICE : 1972 481-867/31